As Prepared for Delivery
Statement by Robert B. Zoellick, United States Trade Representative

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One and a half years ago, the President acted to provide America’s steel industry and workers an opportunity to respond to increased competition from a surge in imports due in part to global overproduction. The industry has used that breathing space well, to the benefit of many families and communities around the country.

Trade is an important engine of economic growth and job creation. To help very open economies like ours adjust to rapid and sharp changes, we sometimes provide temporary safeguards from imports. Such relief is an accepted principle of global trade rules.

In March 2002, after a 9-month investigation, the independent US International Trade Commission found that 10 steel industry products had been injured by a surge in imports that warranted relief. Based on that finding, the President decided that America=s steel industry needed this breathing space.

The industry was facing tremendous pressures, thousands of jobs were at stake, and many steel firms were in or facing bankruptcy. The industry had been seeking help following a rush of low-priced imports in the aftermath of the Asian financial crisis. This President acted.

The President imposed temporary safeguards “to help give America=s steel industry and its workers the chance to adapt to the large influx of foreign steel.” To do so, he exercised his authority under Section 203 of the 1974 Trade Act.

The safeguards consisted principally of tariffs ranging from 8 to 30 percent on the ten categories of steel products identified by the ITC. In order to minimize the impact of these tariffs on U.S. consumers, some steel products were excluded. In addition, exports from our free trade partners and most exports from developing countries were excluded.

In September of this year, the ITC provided a follow-up report: a mid-term assessment of the impact of the safeguard. That assessment provided an important basis for the President=s deliberations on whether to maintain, modify, or terminate the safeguard.

There are three key elements that informed the President=s review.

First, as the ITC=s analysis clearly demonstrated, the safeguard worked.

It provided the steel industry with the breathing space it needed to regain its competitiveness.

Jobs have been saved. Steel businesses have been given another chance to compete.

Since the safeguard has been in place:

- The industry has undergone major restructuring and consolidation
  - More than half of steel production capacity is owned by firms that merged or restructured, and they cut about 4 million tons of inefficient capacity.
- Overall productivity has increased sharply
  - The ITC found that in the safeguard's first year, productivity increased 12.5% for critical flat-rolled products and by 5.5% to 26% for the range of products.
- Prices have stabilized
  - And prices today are about 15-30% higher than in February 2002, the month before the safeguard.
- Workers' pensions have been saved and taken off steel industry books
  - The U.S. Pension Benefit Guarantee Corporation has assumed the guaranteed pension underfunding of 14 steel producers, totaling $8.2 billion.
- Profitability has returned
  - After losing nearly $5 billion in the 24 months before the safeguard was initiated, the flat-rolled industry posted profits of $400 million during the first twelve months of the relief.
  - Financial markets are reflecting growing optimism for the steel market. U.S. Steel Corp stock is currently at a 52-week high. Through November 21, the S&P index of steel stocks rose 24.4%, as compared with a 13.9% increase for the S&P 500.
- U.S. steel exports are at historic levels, too
  - Through August, exports are 49% above the prior year, accounting for 8.4% of total US shipments.

The safeguard definitely provided the industry and workers with needed breathing space. To its credit, much of the industry has used this time well.

The bulk of restructuring that was necessary to make the industry more competitive has taken place.

Second, not only is the industry today much stronger than it was 21 months ago, the economic circumstances justifying the safeguard have changed:

- Imports are no longer depressing U.S. prices
  - On an annualized basis, imports to date are at their lowest levels in a decade, even with the exclusions to the safeguard.
- Demand in Asia and Russia has rebounded
  - China's steel consumption has increased 22% a year since 2001.
- Changes in relative prices have lowered import pressures and increased export opportunities.

Last but importantly, safeguards unavoidably impose some additional costs on consumers. The aim, of course, is for the benefits of the safeguard to outweigh the costs.

Fortunately, as the ITC report demonstrated, the costs to the U.S. economy imposed by the safeguards were limited.

Now, the purpose of the mid-term review has been to determine whether economic circumstances have changed such that the costs of maintaining the safeguard outweigh the benefits.

In the first 21 months of the safeguard, the benefits to the industry outweighed the marginal costs to consumers. Going forward, however, this is not the case.

For these reasons, the President has concluded that the safeguard has done its job and can now be lifted.

We will continue use of our steel import licensing and monitoring system so that we can identify potential import surges quickly in order to respond.

The President has worked hard with the Congress and other countries around the world to open markets for products and services from American businesses, farmers, workers -- and to help consumers stretch their hard-earned dollars further.

At the same time, he has recognized that we need to help Americans adjust to change -- through safeguards like this one, worker retraining, and better education. Safeguards are not supposed to be permanent; they provide a helping hand in extraordinary circumstances.

We are pleased with the steps the industry has taken to make the most of the breathing space provided by the safeguard, and we look forward to working with them and other U.S. businesses to continue to grow the economy, create jobs, and expand opportunity.